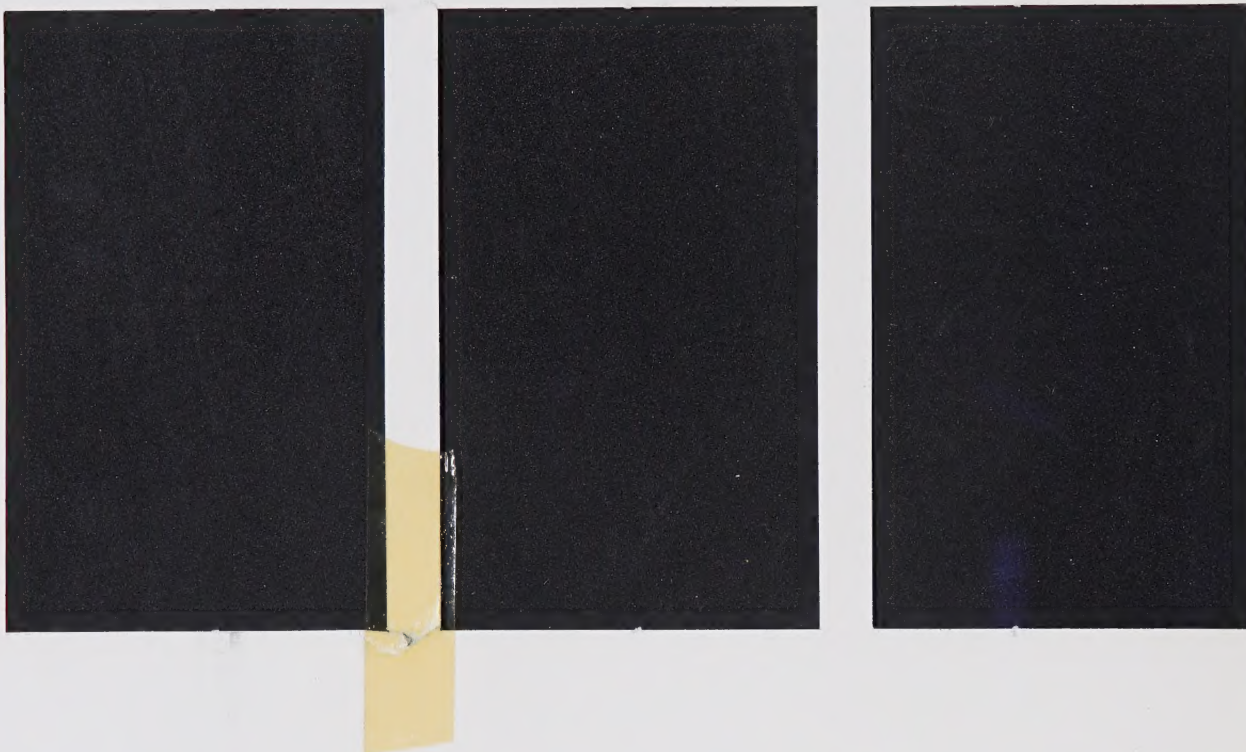


# CHUM Limited



ANNUAL REPORT  
YEAR ENDED  
AUGUST 31, 1976





Photograph, opposite

These happy faces adorned the CHUM billboard, designed by Stewart-Clancy Limited. The billboard, which contained the copy line, "You Are the Music We Play", won the Claude Neon Outdoor Advertising Competition, top recognition in Canada for creative use of outdoor advertising.





# CHUM LIMITED

## HEAD OFFICE

1331 Yonge Street, Toronto, Ontario M4T 1Y1

## REGISTRAR AND TRANSFER AGENT

Montreal Trust Company

Toronto, Ottawa, Montreal, Halifax

Regina, Calgary, Vancouver

## SOLICITORS

Fasken & Calvin

## AUDITORS

Price Waterhouse & Co.

## BANKERS

The Royal Bank of Canada

## STOCK EXCHANGE LISTINGS

Toronto, Montreal, Vancouver

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# THE CHUM GROUP

# DIRECTORS AND OFFICERS

## BRITISH COLUMBIA

CFUN Vancouver

"Music by Muzak" for Vancouver and Victoria

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## ALBERTA

"Music by Muzak" for Calgary

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## MANITOBA

CFRW Winnipeg

CHIQ-FM Winnipeg

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## ONTARIO

CHUM Toronto

CHUM-FM Toronto

CFRA Ottawa

CFMO-FM Ottawa

CKPT Peterborough

CKVR-TV Barrie

HUCHM Productions Limited

"Music by Muzak" for the Province of Ontario

National Security Systems Limited, Toronto

Goldfarb Consultants Limited, Toronto

Accu-Tab Computer Services Limited, Toronto

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## MARITIMES

CJCH Radio, Halifax

Atlantic Television System

— CJCH-TV Halifax

— CJCB-TV Sydney

— CKCW-TV Moncton/Charlottetown

— CKLT-TV Saint John

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Newly licenced and scheduled to 'sign on'  
in mid-1977:

CIOO-FM Halifax

CKPT-FM Peterborough

Allan Waters

Toronto

President, CHUM Limited

J. Wesley Armstrong

Toronto

Vice-President, Sales, CHUM Limited

Alexander A. Forbes, C.A.

Toronto

Vice-President, Finance and  
Secretary-Treasurer, CHUM Limited

A. Deane Nesbitt, O.B.E., D.F.C., B.Eng.  
Montreal

President, Nesbitt, Thomson and  
Company Limited

Fred Sherratt

Toronto

Vice-President, Programming and  
Operations, CHUM Limited

Ralph T. Snelgrove

Barrie

Chairman of the Board, CKVR Channel 3  
Limited

Robert M. Sutherland, Q.C.

Toronto

A Senior Partner, Fasken & Calvin

Taylor C. Baiden, B.Comm., C.A.

Toronto

Controller, CHUM Limited

# FINANCIAL HIGHLIGHTS

	Year ended August 31	
	1976	1975
Revenue, less agency commissions .....	\$34,582,000	\$29,657,000
Net earnings before extraordinary items .....	3,708,000	2,806,000
Earnings per Class B and Common Share before extraordinary items .....	1.13	86¢
Net earnings per Class B and Common Share .....	1.19	77¢
Working capital from operations .....	5,748,000	4,405,000
Provision for income taxes .....	4,477,000	3,890,000
Working capital at end of year .....	7,014,000	4,798,000
Long-term debt .....	4,731,000	5,701,000
Shareholders' equity .....	22,349,000	18,850,000
Dividends paid		
— Class B shares .....	521,000	515,000
— Common shares .....	264,000	264,000
Capital expenditures .....	1,995,000	797,000





# REPORT TO THE SHAREHOLDERS

To our Shareholders:

CHUM Limited succeeded in strengthening and expanding its position in the year ended August 31, 1976, even though the period was marked by uncertainties in the business community, inflation, and growing governmental regulations on business.

Revenue increased to \$34,582,000, compared to \$29,657,000 for the same period last year. Earnings (before extraordinary items) totalled \$3,708,000, representing \$1.13 per Common and Class B share, as compared to 86¢ last year on earnings of \$2,806,000.

The increase in the earnings of the Company is attributable to several factors: internal growth and increased productivity; the decrease in long-term debt interest; elimination of the previous year's losses in certain of the Company's subsidiaries; and the improved performance of other subsidiaries to a position of profitability.

While the Company is subject to controls on profits, prices, employee compensation and dividends as set out under the Anti-Inflation Act, the increases in CHUM Limited's sales and earnings were achieved within the regulations of the Act. All revenue derived from the sale of television time is based on the fee structure which was in effect as of March, 1975. Generally, all other fee structures in effect at October 14, 1975, the effective date of the Anti-Inflation Act, have been maintained.

During the year, CHUM Limited made application to the Canadian Radio-Television and Telecommunications Commission for authority to establish FM stations in Vancouver, Barrie, Peterborough and Halifax. Two of these were approved, for Peterborough and Halifax. It is anticipated that both new stations will be on the air sometime during the spring of 1977.

Throughout the CHUM Organization, there is emphasis on sales training and the development of strong retail sales forces. The

Company recently held a three-day sales management training seminar for a group of its radio and television personnel, and other regular sales gatherings took place in the various centres where the Company operates. A formal sales training program has been established which will aid in the recruitment and training of qualified sales personnel throughout the Organization, and the exchange of creative sales techniques among existing sales executives. We feel such a program is essential in today's business climate where flexibility, strength and efficiency to adapt to changes in the economy are requisite to guaranteed sales.

CHUM-AM Toronto installed a new 50 kilowatt transmitter at the Clarkson site. This new facility improves the sound of CHUM, increases the modulation capability and insures that the station's coverage area is well served. CHUM's award-winning creative and production team completed a 60-hour musical documentary, "The History of Rock . . . the Music that Made the World Turn 'Round". The documentary, two years in preparation, is a definitive history of the times from the fifties to the present as seen through the eyes of the youth generation. It is being aired in 20 segments on all AM stations in the CHUM Group, and will eventually be made available to other radio stations throughout Canada and the United States.

CHUM-AM's largest community project, the Christmas Wish program, has grown immensely. Last year, as a result of the generous donations by CHUM listeners of new clothing, toys and money, 3,600 Toronto and area families were given gifts and numerous Christmas food items. This year, the goal is assistance for 5,000 families for CHUM's ninth annual Christmas Wish program.

CHUM-FM Toronto enjoyed a healthy audience increase during the year. The station began transmitting from the CN Tower in





Allan Waters, President

June which added greatly to the strength of its signal. CHUM-FM's public affairs program, "In Toronto", which is heard each weekday, was expanded to a one-hour format, and is gaining recognition as "must" listening for people who want to keep informed.

CFRA and CFMO-FM Ottawa completed the move this year to new, larger quarters. The facilities of both stations are located on one floor, contributing to smooth and efficient operations. The news and public affairs division is headquartered in much needed expanded offices. Modern programming, reliable news and sports coverage, and a strong public conscience all contribute to the dominance of CFRA as the most listened-to radio station in Eastern Ontario.

CFMO-FM was cited for excellence and originality in the production of a documentary marking Bing Crosby's 50th anniversary in show business. CFMO-FM was the only Canadian commercial station to receive an International Armstrong Award for the documentary which was later made available to radio stations throughout Canada, the U.S. and Australia.

CKPT Peterborough also moved to new, expanded quarters this year. In addition, CKPT installed updated equipment and generally modernized its operation. The much needed daytime power increase to 10,000 watts was recently completed, greatly strengthening CKPT's signal within its coverage area. There is room in CKPT's office complex to house the offices and studios of the newly licenced CKPT-FM which will be on the air by next Spring.

CKVR-TV Barrie was among the many CHUM Group stations which acquired new production equipment during the year. The station now processes all local and regional news and program film in colour. CKVR-TV expanded its coverage of regional news events for the benefit of viewers in the many varied communities within its coverage area. "Faces of Small Places", receiving wide audience acceptance, was created and is being scripted and produced in the studios of CKVR-TV. Shown in prime time, the half-hour weekly program focuses on people within the area served by the station.

Huchm Productions Limited, a subsidiary of CKVR Channel 3 Limited, now has its own full-time staff. Recently acquired modern production facilities greatly improve Huchm's audio capabilities. The company is in the business of program and commercial production and commercial dubbing.

CJCH Radio Halifax plans to commence broadcasting on increased power of 25,000 watts early in 1977. The power increase will overcome signal deficiencies and generally improve the station's signal strength within its coverage area. CJCH was the 1976 recipient of the prestigious National Community Service Award for Excellence in Opinion Broadcast, given annually by the Radio and Television News Directors Association. Work is already underway on the establishment of CJCH's newly licenced FM sister station, CIOO-FM, which will be on the air by the Spring of 1977.



CFUN Radio Vancouver experienced a further increase in its audience this year and was "turned around" to a position of profitability for the first time since the station was acquired in December, 1972. The steady improvement in CFUN's news, sports and entertainment programming, the station's continuous involvement in community affairs, and the growing presence of the CFUN call letters throughout the Vancouver area have all contributed to increased response from both listeners and advertisers.

Construction and installations are in progress which will allow CFRW and CHIQ-FM Winnipeg to implement technical changes by late Spring. CFRW is changing its frequency from 1470 to 1290 to improve the strength and quality of its signal in Greater Winnipeg. CHIQ-FM will increase its power in order to overcome signal interference with a local television station. These improvements, along with an investment in new studio equipment for CHIQ-FM, will represent a major capital expenditure and expansion for CHUM (Manitoba) Limited this year.

The Atlantic Television System has emerged as an important broadcasting identity in the Maritimes. On average, at any time during the day, over half the people watching TV in the Maritimes are watching ATV. Some individual programs attract as many as 600,000 viewers. ATV accepted the responsibility of improving and extending Canada's second television service to all residents of the Maritime provinces. Since its formation more than four years ago, ATV has been involved in a mammoth technical expansion in order to realize this goal. The latest phase — introduction of ATV/CTV service to Western and Northeastern New Brunswick — will be completed within a few months when ATV "signs on" four new rebroadcasting stations in those areas of the province. There are now 21 transmitters in the ATV System, twelve of which operate at full power.

The News and Public Affairs teams of two ATV stations won significant awards this year. CJCH-TV Halifax was the recipient of the Atlantic Region Charlie Edwards Award for excellence in TV News Broadcasting. CJCB-TV Sydney won five awards this year, the most prestigious being the Canadian Association of Broadcasters H. Gordon Love Award, the top Canadian award for news and public affairs programming in both radio and TV. CJCB-TV's other awards include the Regional Dan MacArthur Award of Merit for excellence in TV News Broadcasting; Can Pro '76 First Place Award; Community Service Award of Merit for excellence in opinion broadcast from the Canadian Radio Television News Directors Association; and the National Dan MacArthur Award for excellence in TV News Broadcasting.

CHUM Group News gives our stations a clear advantage over all others in reporting political news from the nation's capital. Located in the National Press Building across from Parliament Hill, CHUM Group News is the only private radio news gathering service providing in-depth analysis of the federal government's actions and policies. Regular input from our stations across the country on stories originating in their locales gives Canada-wide scope to the service. CHUM Group News fulfills the distinctive needs of our FM stations which often require longer, more analytical handling of news events for inclusion in public affairs programs.

The subsidiary companies which operate CHUM Limited's "Music by Muzak" franchises experienced steady growth throughout the year. The Ontario franchise is nearing completion of one of its largest installations at the Eaton Centre Store in downtown Toronto, and is just starting the installation of a large public address system and the regular Muzak service at Toronto's impressive Royal Bank Plaza. "Music by Muzak" has opened a full-service office in



London, Ontario and a significant number of sales and service personnel have been added in Western Canada. The Ontario franchise is the largest in the world.

Further steps were taken during the year to expand the operation of National Security Systems Limited in Ontario and Western Canada. Sales personnel were added in Vancouver, Calgary and Toronto. In the next few months personnel will be increased in Eastern Canada. A central monitoring system was recently installed in National Security's Toronto office, giving an added service to the company's growing number of security-conscious business and residential clients. This expansion program, along with the additional services being planned for the coming year, will increase National's potential as a full-service security systems agency.

During the year, the Company acquired an additional 10% of Goldfarb Consultants Limited, bringing to 92% the Company's total interest in this unique research organization. Goldfarb Consultants is expanding its professional and research staff and making arrangements for larger computer facilities. This subsidiary specializes in behavioural, consumer and motivational research and continues to increase its list of satisfied clients in Canada, U.S. and abroad.

The CHUM Charitable Foundation, incorporated as a charitable organization under the Ontario Corporations Act, provides financial assistance to needy persons, charitable institutions, hospitals and community organizations. Funds are raised through the generosity of CHUM listeners who respond quickly to any appeal for funds. CHUM Limited pays all administrative costs and other expenses incurred in the day to day operation of the CHUM Charitable Foundation, allowing the Foundation to pay out 100% of the money it receives for charitable purposes.

Six years ago, CHUM Toronto undertook a community project in Canada's north — the establishment and maintenance of a radio station to serve the residents of Tuktoyaktuk. The project won for CHUM the coveted Station of the Year Award in 1971. To date, the Company has given more than \$110,000 to the station, CFCT, which provides a vital communications voice in both the English and Eskimo languages, to the 600 residents of this small Arctic community.

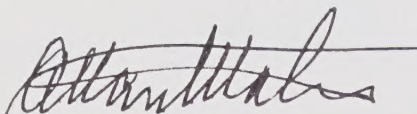
CHUM Limited continued to pay a regular quarterly dividend of six cents per share on the Class B stock, and for the fourth consecutive year, the Board of Directors authorized a year-end dividend of twenty-four cents per share on the Common stock. In total, \$784,656 in dividends was passed on to the shareholders of the Company this year.

There is no question that Canada has entered a period of political and economic uncertainty. As a result, the business and investment climate will be unsettled while this atmosphere prevails.

CHUM Limited continues to support the Government's efforts to attack and reduce inflation. However, we believe that many of the policies of the Anti-Inflation Board and the resulting revised regulations have contributed to the uncertainty in Canada's economic environment.

CHUM Limited is continuing its policy of internal growth through development of our existing companies to their full potential, and of expansion into areas of product, service and technology complementary to our present interests.

We feel that 1977 will be a year of advancement for CHUM Limited.



Allan Waters,  
President.

Toronto, Ontario  
December 3, 1976





CHUM Limited  
AND  
SUBSIDIARY  
COMPANIES

# CONSOLIDATED BALANCE SHEET

## ASSETS

	August 31	
	1976	1975
Current assets:		
Cash .....	\$ 1,332,080	\$ 1,110,837
Short-term deposits .....	2,057,000	901,996
Accounts receivable .....	6,046,900	5,280,310
Inventories, at the lower of cost and net realizable value .....	170,552	158,194
Prepaid expenses and other assets .....	497,591	357,842
	<u>10,104,123</u>	<u>7,809,179</u>
Investments (Note 2) .....	605,810	609,236
Fixed assets, at cost:		
Land .....	1,496,883	1,485,452
Buildings and equipment .....	16,909,029	14,946,543
	<u>18,405,912</u>	<u>16,431,995</u>
Less: Accumulated depreciation .....	11,866,911	10,697,159
	<u>6,539,001</u>	<u>5,734,836</u>
Other assets:		
Franchise, at cost less amortization of \$943,977 (1975 — \$871,364) .....	423,580	496,193
Excess of cost of shares of subsidiary companies over book value of underlying assets, and other goodwill, at cost (Note 5) .....	15,274,113	15,183,151
	<u>15,697,693</u>	<u>15,679,344</u>
	<u>\$32,946,627</u>	<u>\$29,832,595</u>

APPROVED BY THE BOARD:

Director

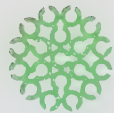
Director



## LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31	
	1976	1975
Current liabilities:		
Bank loans	50,000	\$ 142,000
Accounts payable and accrued liabilities	2,118,592	1,704,036
Income taxes payable	908,544	992,744
Current portion of long-term debt	12,750	172,235
	<u>3,089,886</u>	<u>3,011,015</u>
Long-term debt (Note 3)	4,731,069	5,701,236
Minority interests	2,776,759	2,270,379
Shareholders' equity:		
Capital stock (Note 5) —		
Non-voting Class B shares without par value —		
Authorized — 8,000,000 shares		
Issued — 2,192,500 shares (1975 — 2,145,500 shares)	9,516,660	9,135,960
Common shares without par value —		
Authorized — 1,500,000 shares		
Issued — 1,100,403 shares	987,630	987,630
Retained earnings	<u>11,844,623</u>	<u>8,726,375</u>
	<u>22,348,913</u>	<u>18,849,965</u>
	<u>\$32,946,627</u>	<u>\$29,832,595</u>





CHUM Limited  
AND  
SUBSIDIARY  
COMPANIES

# CONSOLIDATED STATEMENT OF EARNINGS

	Year ended August 31	
	1976	1975
Revenue, less agency commissions (Note 4)	\$34,581,724	\$29,656,530
Operating expenses	<u>23,885,045</u>	<u>20,553,330</u>
	10,696,679	9,103,200
Other expenses (income):		
Interest expense, including \$580,319 on long-term debt (1975 — \$889,239)	597,107	973,297
Interest and other income	(126,152)	(165,329)
Gain on sale of property	—	(77,783)
Depreciation	1,194,021	998,236
Amortization of franchise and goodwill	<u>81,613</u>	<u>72,613</u>
	1,746,589	1,801,034
Earnings before income taxes and minority interests	8,950,090	7,302,166
Provision for income taxes	<u>4,477,293</u>	<u>3,889,921</u>
	4,472,797	3,412,245
Minority interests in earnings of subsidiary companies	<u>764,893</u>	<u>606,288</u>
Net earnings before extraordinary items	3,707,904	2,805,957
Extraordinary credit (charge):		
Income tax reduction realized on the carry-forward of prior years' losses	195,000	—
Loss on disposal of investment in Frolic Toys Limited, a subsidiary company	<u>—</u>	<u>(304,649)</u>
Net earnings for the year	<u>\$ 3,902,904</u>	<u>\$ 2,501,308</u>
Earnings per Class B and common share:		
Net earnings before extraordinary items	\$1.13	\$0.86
Extraordinary items	<u>.06</u>	<u>(.09)</u>
Net earnings for the year	<u>\$1.19</u>	<u>\$0.77</u>

# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended August 31	
	1976	1975
Retained earnings at beginning of year	\$ 8,726,375	\$ 7,004,084
Net earnings for the year	<u>3,902,904</u>	<u>2,501,308</u>
		9,505,392
Deduct: Dividends paid (24¢ per share) —		
Class B shares	520,560	514,920
Common shares	<u>264,096</u>	<u>264,097</u>
	784,656	779,017
Retained earnings at end of year	<u>\$11,844,623</u>	<u>\$ 8,726,375</u>



# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended August 31	
	1976	1975
Source of funds:		
Operations —		
Net earnings before extraordinary items...	\$3,707,904	\$2,805,957
Add: Charges (credits) not affecting working capital —		
Depreciation and amortization	1,275,634	1,070,849
Minority interests in earnings of subsidiary companies	764,893	606,288
Gain on sale of property	—	(77,783)
Working capital from operations	5,748,431	4,405,311
Income tax reductions relating to losses carried forward and goodwill	277,207	65,974
Proceeds from sale of property	—	298,963
Issue of Class B shares (Note 5)	380,700	—
Other	3,475	41,355
	6,409,813	4,811,603
Application of funds:		
Additions to fixed assets	1,995,480	796,579
Reduction of long-term debt	867,750	2,111,267
Purchase of additional shares and notes of a subsidiary (Note 5)	380,700	—
Dividends paid	784,656	779,017
Dividends paid to minority shareholders of a subsidiary	140,750	140,750
Net reduction in working capital from disposal of investment in Frolic Toys Limited	—	464,111
Other	—	—
	4,193,740	4,291,724
Increase in working capital	2,216,073	519,879
Working capital at beginning of year	4,798,164	4,278,285
Working capital at end of year	\$7,014,237	\$4,798,164

## AUDITORS' REPORT

To the Shareholders of CHUM Limited:

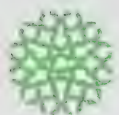
We have examined the consolidated balance sheet of CHUM Limited and subsidiary companies as at August 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.  
Chartered Accountants

Toronto, Ontario  
November 3, 1976





CHUM Limited  
AND  
SUBSIDIARY  
COMPANIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AUGUST 31, 1976

## 1. Accounting policies:

### Consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

### Goodwill —

It is the Company's policy not to amortize the excess cost of shares of subsidiary companies and other goodwill relating to acquisitions made prior to April 1, 1974 since these amounts are considered to be of continuing value. Goodwill relating to an acquisition made after April 1, 1974 is being amortized on a straight-line basis over 20 years.

### Depreciation —

Depreciation is provided in the accounts of the companies on the reducing balance method at the maximum rates allowed for income tax purposes which are buildings—5%; equipment—20% to 25%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

### Income taxes —

The tax saving resulting from the portion of goodwill allowed as a deduction in computing taxable income is credited against the cost of the goodwill.

### Franchise —

The franchise is being amortized on a straight-line basis over the period of the franchise agreement, which is approximately eighteen years.

## 2. Investments:

	August 31	
	1976	1975
57,600 non-voting redeemable preference shares, par value \$10 each, of Frolic Toys Limited, at cost .....	\$576,000	\$576,000
Other, at cost .....	29,810	33,236
	<u>\$605,810</u>	<u>\$609,236</u>

The common shareholders of Frolic Toys Limited have agreed to ensure that the Company redeems or purchases for cancellation, at par value of \$10 each, 11,520 of the preference shares owned by CHUM Limited in each of the five years 1976 to 1980 inclusive.

## 3. Long-term debt:

	August 31	
	1976	1975
Term bank loans —		
Repayable in monthly instalments of \$75,000 from September 1977 to August 1982 with interest at 1½% above prime bank rate (1) .....	\$4,500,000	\$5,250,000
Repaid in full in 1976 with interest at ¾% above prime bank rate .....	—	100,000
Promissory notes, non-interest-bearing (2) .....	81,933	229,350
Other notes, repaid in full in 1976 with interest at prime bank rate .....	—	120,000
Mortgages, with interest at 5% and 7% due in instalments to 1986 .....	161,886	174,121
	<u>4,743,819</u>	<u>5,873,471</u>
Less: Current portion .....	12,750	172,235
	<u>\$4,731,069</u>	<u>\$5,701,236</u>

The principal repayments of long-term debt required in each of the next five years ended August 31, are as follows:

1977 .....	\$ 12,750
1978 .....	913,302
1979 .....	913,893
1980 .....	914,527
1981 .....	915,205

(1) The term bank loan is unsecured, however, if requested at any time by the bank, the Company has undertaken to provide within thirty days security consisting of general assignments of receivables of all companies in the group, fixed charges on the shares of the subsidiaries and floating charges on the assets of all the companies.

(2) The promissory notes bear no due date and are payable only on agreement of all the shareholders of a subsidiary.



4. Revenue:

Revenue is divided in the following proportions:

	Year ended August 31	
	1976	1975
Broadcasting, less agency commissions .....	82%	82%
Other .....	18%	18%
	<u>100%</u>	<u>100%</u>

5. Capital stock:

(a) The holders of the Class B shares are entitled to receive, if, as and when declared by the board of directors, annual non-cumulative dividends at the rate of 24¢ per share. No dividends shall be declared on the common shares in any year until dividends of 24¢ per share have been paid on the Class B shares. Whenever in any year dividends of 24¢ per share have been paid on both the Class B and common shares, any further dividends shall be paid equally on the Class B and common shares.

The Class B and common shareholders are entitled to share equally in any distribution of the Company's assets on winding up.

(b) During the year the Company issued 47,000 non-voting Class B shares at an aggregate value of \$380,700 (\$8.10 per share) as consideration for the purchase of an additional 10% of the shares and notes of Goldfarb Consultants Limited, a subsidiary company. The excess of the consideration over the subsidiary's underlying net assets amounted to \$182,253.

(c) Options are outstanding to purchase 20,000 non-voting Class B treasury shares exercisable prior to March 15, 1978 at \$12.00 per share, and at \$14.00 per share thereafter until expiry on March 15, 1983.

6. Income taxes:

As at August 31, 1976 certain subsidiary companies had non-capital losses available for carry forward to future periods, calculated on the accounting basis, amounting to approximately \$646,000. These losses are summarized as follows:

Losses for income tax purposes expiring 1977-1980 .....	\$397,000
Excess of undepreciated capital cost of fixed assets over net book value .....	249,000
	<u>\$646,000</u>

In addition capital losses of approximately \$416,000 are available to be carried forward against capital gains realized in future years.

No recognition has been given in the consolidated financial statements to the potential future tax saving resulting from the availability of these losses.

7. Lease commitments:

The Company and its subsidiaries are committed under leases for rental of properties and broadcasting facilities extending for varying periods to 1996 in the aggregate amount of approximately \$3,100,000. Rental expense for the year ended August 31, 1976 amounted to \$310,000 and total payments required in each of the next five years are: 1977 — \$372,000; 1978 — \$353,000; 1979 — \$319,000; 1980 — \$303,000; 1981 — \$268,000.

8. Anti-Inflation Program:

CHUM Limited and its subsidiaries are subject to controls on prices, profits, compensation and dividends under the Anti-Inflation Act. While there are still some uncertainties regarding the Companies' position under the Act, in the opinion of management the Companies have complied in all material respects with the controls.

In order to comply with the legislation, dividends on the Class B and common shares during the period from October 14, 1976 to October 13, 1977 may not exceed 25% of net earnings for the year ended August 31, 1976.

9. Statutory information:

Remuneration of directors and senior officers, as defined by the Business Corporations Act of Ontario, amounted to \$632,700 for the year ended August 31, 1976 (1975 — \$641,500).









## TO THE SHAREHOLDERS:

CHUM Limited's net earnings for the six months ended February 29, 1976 increased to \$1,300,399, or 40¢ per share, from \$960,337, or 29.5¢ per share for the corresponding period last year.

Sales of CHUM Group subsidiaries continue to show gains, and bookings for the third quarter are ahead of last year at this time.

Management is continuing its examination of the Anti-Inflation Act with respect to its effect on the earnings of the Company.

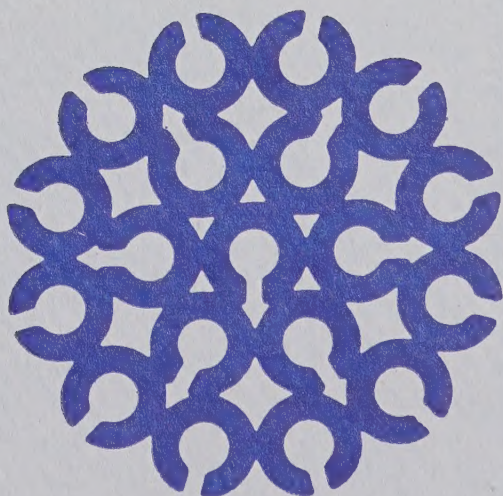
ALLAN WATERS,  
*President.*

Toronto, Ontario

April 9, 1976

**Note 1**

On February 28, 1976, CHUM Limited agreed to purchase an additional 10% interest in Goldfarb Consultants Limited in consideration of the issuance of 47,000 fully-paid Class B shares of CHUM Limited. The purchase is subject to approval by the Toronto, Montreal and Vancouver Stock Exchanges. This purchase, when completed, will bring to 92% CHUM Limited's interest in this company.

**CHUM Limited**

INTERIM REPORT FOR SIX-MONTH PERIOD

ENDED FEBRUARY 29, 1976



# CHUM Limited

and SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS

(not audited)

Six Months Ended  
February 29,  
1976

Revenue, less agency commissions	\$16,133,470	\$14,800,202
Operating expenses	11,714,641	10,728,942
	4,418,829	4,071,260
Deduct (add):		
Interest expense, including \$307,154 on long-term debt (1975 — \$511,402)	312,988	563,353
Interest and investment income	(46,301)	(77,992)
Depreciation	657,661	566,864
Amortization of franchise	36,000	36,000
	960,348	1,088,225
Earnings before income taxes and minority interests	3,458,481	2,983,035
Provision for income taxes	1,727,105	1,720,451
	1,731,376	1,262,584
Minority interests in earnings of subsidiary companies	430,977	302,247
Net earnings for the six months	\$ 1,300,399	\$ 960,337
Earnings per Class "B" and Common share	40.0¢	29.5¢
Total Class "B" and Common shares issued	3,245,903	3,245,903

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(not audited)

Six Months Ended  
February 29,  
1976

Source of funds:		
Operations —		
Net earnings for the period	\$1,300,399	\$ 960,337
Add: Depreciation and amortization	693,661	602,864
Minority interests in earnings of subsidiary companies	430,977	302,247
Working capital from operations	2,425,037	1,865,448
Other	475	626
	2,425,512	1,866,074
Application of funds:		
Additions to fixed assets (net)	786,492	370,659
Reduction of long-term debt	833,555	651,865
Dividends paid	257,460	257,460
Dividends paid to minority shareholders	140,750	—
	2,018,257	1,279,984
Increase in working capital	407,255	586,090
Working capital at beginning of year	4,798,164	4,278,285
Working capital at end of period	\$5,205,419	\$4,864,375